

GRAAFSCHAP FIRE DEPARTMENT

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2004

KIEKOVER, SCHOLMA & SHUMAKER, PC
Certified Public Accountants
Zeeland, Michigan

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

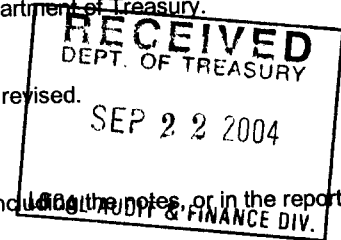
Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Graafschap Fire Department	County Allegan
Audit Date 3/31/03	Opinion Date 6/16/04	Date Accountant Report Submitted to State: 9/25/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Kiekoover, Scholma & Shumaker, PC			
Street Address 205 E. Main Avenue	City Zeeland	State MI	ZIP 49464
Accountant Signature <i>Kiekoover, Scholma & Shumaker, PC</i>		Date 9/25/04	

Graafschap Fire Department
ANNUAL FINANCIAL REPORT
Year Ended March 31, 2004

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INDEPENDENT AUDITOR'S REPORT

June 16, 2004

Fire Board
Graafschap Fire Department
Holland, Michigan

We have audited the accompanying general purpose financial statements of Graafschap Fire Department as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Department's Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Graafschap Fire Department as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Kiekover, Scholma & Shumaker, PC
Kiekover, Scholma & Shumaker, PC
Certified Public Accountants

Graafschap Fire Department
COMBINED BALANCE SHEET
March 31, 2004

	Governmental Fund Type	Account Groups		Totals (Memorandum Only)	
		General Fixed Assets	General Long-Term Debt		
	General			2004	2003
ASSETS AND OTHER DEBITS					
Cash	\$ 34,798	\$ -	\$ -	\$ 34,798	\$ 22,512
Fixed assets	-	1,736,389	-	1,736,389	1,736,389
Amount to be provided for retirement of general long-term debt	-	-	687,061	687,061	739,000
TOTAL ASSETS AND OTHER DEBITS	\$ 34,798	\$ 1,736,389	\$ 687,061	\$ 2,458,248	\$ 2,497,901
LIABILITIES, EQUITY AND OTHER CREDITS					
Liabilities:					
Accounts payable	\$ 1,680	\$ -	\$ -	\$ 1,680	\$ 1,959
Accrued payroll	28,122	-	-	28,122	20,447
Current portion of long-term debt	-	-	40,904	40,904	83,687
Long-term debt, exclusive of current portion	-	-	646,157	646,157	655,313
Total Liabilities	29,802	-	687,061	716,863	761,406
Equity And Other Credits:					
Investment in general fixed assets	-	1,736,389	-	1,736,389	1,736,389
Fund balance - unreserved	4,996	-	-	4,996	106
Total Equity and Other Credits	4,996	1,736,389	-	1,741,385	1,736,495
TOTAL LIABILITES, EQUITY AND OTHER CREDITS	\$ 34,798	\$ 1,736,389	\$ 687,061	\$ 2,458,248	\$ 2,497,901

The notes to financial statements are an integral part of this statement.

Graafschap Fire Department
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended March 31, 2004
(with comparative data for 2003)

	<u>2004</u>	<u>2003</u>
Revenues:		
Contributions From Townships:		
Fillmore Township	\$ 68,260	\$ 63,827
Laketown Township	259,290	224,723
Federal grant	-	99,900
Miscellaneous	<u>3,455</u>	<u>6,011</u>
Total Revenues	<u>331,005</u>	<u>394,461</u>
Expenditures:		
Current:		
General Government:		
Salaries and wages	132,797	129,586
Contracted services	7,225	5,213
Supplies	10,604	9,144
Telephone	4,297	4,387
Insurance	15,189	20,613
Utilities	10,248	9,362
Repairs and maintenance	15,724	15,355
Administration	21,400	1,945
Legal and accounting	1,360	900
Licenses and dues	3,026	2,204
Payroll taxes	3,456	3,764
Employer's pension cost	7,792	7,598
Miscellaneous	1,264	1,095
Capital Outlay	3,589	190,848
Debt Service:		
Principal	51,939	41,394
Interest and fiscal charges	<u>36,205</u>	<u>20,995</u>
Total Expenditures	<u>326,115</u>	<u>464,403</u>
Excess (Deficiency) of Revenues Over Expenditures	4,890	(69,942)
Other Financing Sources (Uses):		
Loan proceeds	<u>-</u>	<u>50,000</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	4,890	(19,942)
Fund Balances, April 1	<u>106</u>	<u>20,048</u>
Fund Balances, March 31	<u>\$ 4,996</u>	<u>\$ 106</u>

The notes to financial statements are an integral part of this statement.

Graafschap Fire Department
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Contributions From Townships:			
Fillmore Township	\$ 68,260	\$ 68,260	\$ -
Laketown Township	259,290	259,290	-
Federal grant	-	-	-
Miscellaneous	850	3,455	2,605
Total Revenues	<u>328,400</u>	<u>331,005</u>	<u>2,605</u>
Expenditures:			
Current:			
General Government:			
Salaries and wages	125,000	132,797	(7,797)
Contracted services	7,500	7,225	275
Supplies	11,000	10,604	396
Telephone	4,500	4,297	203
Insurance	15,300	15,189	111
Utilities	10,500	10,248	252
Repairs and maintenance	16,000	15,724	276
Administration	21,400	21,400	-
Legal and accounting	1,400	1,360	40
Licenses and dues	3,000	3,026	(26)
Payroll taxes	4,000	3,456	544
Employer's pension cost	8,000	7,792	208
Miscellaneous	1,000	1,264	(264)
Capital outlay	7,000	3,589	3,411
Debt Service:			
Principal	51,939	51,939	-
Interest and fiscal charges	36,211	36,205	6
Total Expenditures	<u>323,750</u>	<u>326,115</u>	<u>(2,365)</u>
Excess (Deficiency) of Revenues Over Expenditures	4,650	4,890	240
Other Financing Sources (Uses):			
Loan proceeds	-	-	-
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	4,650	4,890	240
Fund Balances, April 1	<u>106</u>	<u>106</u>	<u>-</u>
Fund Balances, March 31	<u>\$ 4,756</u>	<u>\$ 4,996</u>	<u>\$ 240</u>

The notes to financial statements are an integral part of this statement.

Graafschap Fire Department
NOTES TO FINANCIAL STATEMENTS
Year Ended March 31, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Graafschap Fire Department is owned by Laketown Township and Fillmore Township and was established for the benefit of the residents of both Laketown and Fillmore Townships. Each township appoints two of the four voting members of the board. Therefore, each township exercises 50% control over the budgeting and financing of the department. The agreement between the townships provides that the cost of maintenance and operation of the building and grounds be allocated to the townships based on runs in each township and tax base. For the year ended 2004, costs were allocated 79.16% to Laketown Township and 20.84% to Fillmore Township. The Department is established based on a joint agreement.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Department are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The assets, liabilities and fund balances of Graafschap Fire Department are reported in the following funds and account groups:

General Fund:

The general fund is the primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

General Fixed Assets Account Group:

This accounts for the investment in property and equipment.

General Long-Term Debt Account Group:

This accounts for general long-term debt and certain other liabilities of the unit.

C. Assets, Liabilities and Equity

1. Deposits and Investments.

The Fire Department pools cash resources of its general fund with Laketown Township in order to facilitate the management of cash and investments. Resources applicable to a particular fund are readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements and are carried at market value.

The Department's investment policies are governed by state statutes, formal board policy and administrative procedures. Permissible investments include obligations of the U.S. Treasury and its agencies, Michigan financial institution certificates of deposit, commercial paper with prescribed rating, U.S. Government repurchase agreements and mutual funds consisting of any of the above. Attorney General's Opinion No. 6168 states that public funds may not be deposited in institutions located in states other than Michigan. The Department's deposits are in accordance with statutory authority.

Earnings in the pooled cash accounts are allocated to each fund based upon their respective balance of cash and investments.

2. *Fixed Assets.*

Fixed assets used in the Fire Department are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized on general fixed assets.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not included in the general fixed assets account group.

3. *Compensated Absences.*

Department employees are not entitled to compensated absences.

4. *Long-term Obligations.*

The Fire Department reports long-term debt of the general fund at face value in the general long-term debt account group.

5. *Memorandum Only – Total Columns.*

Total Columns on the financial statements are captioned as "memorandum only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

6. *Comparative Data.*

Comparative total data for the prior year has been presented in selected section of the accompanying financial statements in order to provide an understanding of the changes in the Department's financial position and operations.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. All annual appropriations lapse at fiscal year-end.

Before March 31, the proposed budget is presented to the Township Boards for review. The Boards hold public hearings and a final budget must be adopted no later than March 31.

The appropriated budget is prepared by fund, function and line item. The legal level of budgetary control is the line item level. Budgetary control over expenditures is exercised by the Fire Board. Appropriated budgets are amended by majority vote of the Fire Board. The Fire Board made several supplemental budgetary appropriations throughout the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) lapse at year-end and do not constitute expenditures or liabilities because commitments will generally be reappropriated and honored during the subsequent year.

B. Excess of Expenditures Over Appropriations

During the year ended March 31, 2004, the Fire Department incurred expenditures in certain budgetary funds which were in excess of amounts appropriated, as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
General Fund:			
General Government:			
Salaries and wages	\$ 125,000	\$ 132,797	\$ 7,797
Licenses and dues	3,000	3,026	26
Miscellaneous	1,000	1,264	264

NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**A. Deposits and Investments.**

At year-end, the carrying amount of the Fire Department's share of pooled deposits was \$34,798.

B. Fixed Assets.

Activity in the general fixed assets account group for the Fire Department for the year ended March 31, 2004, was as follows:

	<u>Balances 4/1/2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances 3/31/2004</u>
Land	\$ 13,136	\$ -	\$ -	\$ 13,136
Fire Barn	1,100,454	-	-	1,100,454
Equipment - shop	108,115	-	-	108,115
Vehicles and related equipment	<u>514,684</u>	<u>-</u>	<u>-</u>	<u>514,684</u>
 Total General Fixed Assets	 <u>\$ 1,736,389</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 1,736,389</u>

C. Long-term Debt

The following is a summary of the Fire Department's long-term debt transactions for the year ended March 31, 2004:

Long-term debt payable, April 1, 2003	\$ 739,000
New issues	-
Payments	<u>51,939</u>
 Long-term debt payable, March 31, 2004	 <u>\$ 687,061</u>

Presented below is a summary of debt service requirements to maturity:

<u>Year Ended:</u>	<u>Note Payable Aerial Truck</u>	<u>Bonds</u>	<u>Total</u>
3/31/2005	11,052	64,737	75,789
3/31/2006	11,052	63,079	74,131
3/31/2007	11,052	61,421	72,473
3/31/2008	11,051	59,763	70,814
3/31/2009	-	58,105	58,105
3/31/2010	-	60,291	60,291
3/31/2011	-	58,427	58,427
3/31/2012	-	60,405	60,405
3/31/2013	-	58,333	58,333
3/31/2014	-	60,104	60,104
3/31/2015	-	57,824	57,824
3/31/2016	-	59,388	59,388
3/31/2017	-	56,901	56,901
3/31/2018	-	58,258	58,258
3/31/2019	-	55,565	55,565
3/31/2020	-	56,714	56,714
Totals	\$ 44,207	\$ 949,315	\$ 993,522
Less amount representing interest	<u>4,514</u>	<u>301,947</u>	<u>306,461</u>
Principal balance	<u>\$ 39,693</u>	<u>\$ 647,368</u>	<u>\$ 687,061</u>
Interest rate	4.25%	5.25%	

NOTE 4. OTHER INFORMATION

A. Risk Management

The Fire Department is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Fire Department carries full multi-peril insurance coverage underwritten by the Michigan Municipal League. Settled claims for insurance have never exceeded the amount of coverage. There was no reduction in coverages obtained through insurance during the past year.

B. Related Party Transactions

During 1999-2000, Laketown Township built a new fire station for the Department. To finance this project, Laketown Township's Building Authority sold \$950,000 in bonds. Based on an agreement between Fillmore Township and Laketown Township, the Department will pay \$750,000 of the \$950,000 bonds, plus interest, through 2020 to purchase the building from Laketown Township (Note 3C). The remaining amount needed to pay the bonds will be paid by Laketown Township.

C. Deferred Compensation Plan

The Fire Department offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Fire Department employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Trusts have been created for the plan assets, thereby insulating the assets from the unit of government's general creditors. The Fire Department has no fiduciary or administrative responsibility for the plan, therefore the plan assets are not reflected as an agency fund in the accompanying financial statements. The Fire Department also contributes a percentage of each employee's salary to the plan. For the year ended March 31, 2004, the Fire Department's contribution amounted to \$7,792.